
Finance Committee

HB 1890

Brief Description: Modifying the business and occupation taxation of slaughtering, breaking, and/or processing perishable meat products.

Sponsors: Representatives McIntire, Upthegrove and Sommers.

Brief Summary of Bill

- Applies the 0.138 percent B&O tax rate to the slaughtering, breaking, and/or manufacturing perishable meat products and/or selling the perishable meat products at wholesale.

Hearing Date: 2/23/05

Staff: Rick Peterson (786-7150).

Background:

The business & occupation (B&O) tax is levied for the privilege of doing business in the state. The tax is levied on the gross receipts of all business activities conducted within the state without deductions for the costs of doing business. Currently, there are seven different B&O tax rates. The three principal rates are:

Manufacturing/ wholesaling	0.484%
Retailing	0.471%
Services	1.5%

In 1967, the Legislature authorized a preferential B&O tax rate for slaughtering, breaking, and/or processing perishable meat products and/or selling the same at wholesale. The tax rate is 0.138 percent rather than the general manufacturing rate of 0.484 percent. Since its enactment, the Department of Revenue has allowed this preferential tax rate to be taken only if the finished product was a perishable meat product. On January 13, 2005, in *Agrilink Foods, Inc. v. Department of Revenue*, Docket No. 74478-5, the state supreme court held that the preferential B&O tax rate on the slaughtering, breaking, and/or processing of perishable meat products applied to the processing of perishable meat products into nonperishable meat products, such as canned food.

Summary of Bill:

The Legislature declares that the sole purpose of the 1967 act was to create a preferential B&O tax rate for the slaughtering, breaking, or processing of perishable meat products and/or selling the finished perishable meat products at wholesale. The intent was not to allow the preferential tax rate for the processing of perishable meat products into nonperishable meat products or selling the nonperishable meat products at wholesale.

The 0.138 percent B&O tax rate applies to the slaughtering, breaking, and/or manufacturing perishable meat products and/or selling the perishable meat products at wholesale.

The act applies retroactively.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.